

CITY OF PRESCOTT  
Walla Walla County, Washington  
January 1, 1994 Through December 31, 1995

---

Schedule Of Findings

---

1. The City Should Comply With Bond Covenants

In 1993, the city issued water revenue bonds. We determined that the city failed to meet the revenue requirements of its bond covenants for 1995 and 1994 as follows:

	<u>1995</u>	<u>1994</u>
Total Revenue	\$44,760	\$44,325
Less: Property Taxes	<u>(2,705)</u>	<u>(3,873)</u>
	<u>42,055</u>	<u>40,452</u>
 Total Expenditures	 43,858	 39,881
Bond Interest	(5,291)	(5,466)
Bond Principal	<u>(5,000)</u>	<u>(5,000)</u>
	<u>33,567</u>	<u>29,415</u>
Net Revenue	8,488	11,037
 1.2.x 10,597 (Max Annual Debt Service)	 <u>(12,716)</u>	 <u>(12,716)</u>
Revenue Deficiency	<u>\$ (4,228)</u>	<u>\$ (1,679)</u>

Bond covenants require net revenues (revenues less maintenance and operating expense) to be at least 1.2 times the maximum annual debt service on the bonds and any additional bonds.

Failure to meet bond covenant revenue requirements puts investor interests at risk and qualifies as a technical default of the bond agreement. This could affect the city's ability to market bonds in the future.

The city officials were not aware of the earnings requirement.

We recommend the city restructure their rates or reduce expenditures to assure compliance with all bond covenants.